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PROGRAMME PLANNING AND IMPLEMENTATION

National capacity-building

Report of the Administrator

SUMMARY

Capacity-building involves human resource development, the development of organizations and the emergence of an overall policy environment conducive to development. Some valuable capacities have been built as a result of efforts of donors in the past. There are, however, several reasons for the current concern by the development community to identify more coherent strategies and instruments for capacity-building. The most important of these concerns are: the relevance of the activities to core national objectives; the policy context for the activities; the extent to which capacity is being built in non-governmental as well as in governmental institutions; the mechanisms of coordination of capacity-building activities; and the sustainability of the capacity. The framework for national capacity-building is provided by national systems of planning and management, and their translation into policies and programmes. The building blocks for UNDP support in these areas include the programme approach, national execution and the aid coordination process. One of the aims of successor arrangements for agency support costs is to facilitate the upstream roles of United Nations agencies in supporting the development of sectoral and subsectoral programme frameworks. The major areas in which UNDP can support national capacity-building strategies include the capacity to define and manage the long-term vision of development; the capacity to formulate policies and programmes; the capacity to implement national programmes; and the capacity to monitor and evaluate national programmes.

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I. INTRODUCTION

1. In its decision 91/27 of 21 June 1991, the Governing Council requested the Administrator to develop guidelines concerning assistance to Governments in the formulation and implementation of national capacity-building strategies relating to all stages of the programme/project cycle. In other decisions in 1992, the Council requested the Administrator to report annually on national capacity-building (92/2); to assist in building up or strengthening national capacities to formulate and implement policies and programmes for sustainable development (92/16); to develop guidelines on assistance to Governments in the formulation and implementation of national capacity-building strategies for national execution (92/22); and to continue to formulate guiding principles for the programme approach, including assistance in the assessment and enhancement of technical and managerial capacities at the programme level (92/23).

2. In responding to these decisions, a variety of steps have been undertaken. Guidelines are in preparation for capacity-building in the context of national execution, and work is under way to revise the Programme and Projects Manual to incorporate these guidelines. Guidelines have also been prepared by the Central Evaluation Office for the assessment of UNDP activities in capacity-building in the fifth cycle. In addition, a draft document "Capacity 21: Outline of programme criteria and guidelines" has been prepared by the Environment and Natural Resources Management Group, as a follow-up to the United Nations Conference on Environment and Development (UNCED).

3. At the thirty-ninth session of the Governing Council (1992), a conference room paper on capacity-building was circulated (DP/1992/CRP.1, English only). The paper was subsequently discussed in various forums, including the Consultative Committee on Substantive Questions (Operational Activities) (CCSQ (OPS)). The present document has benefited from these discussions and is intended to respond to decision 92/2, in which the Council requested the Administrator to report annually on capacity-building.

II. BACKGROUND AND CONCEPTUAL FRAMEWORK

4. Based on the principles of General Assembly resolution 44/211 of 22 December 1989, a framework for capacity-building has been established by the General Assembly and the Governing Council in recent years. Key elements of this framework are the successor arrangements for agency support costs, national execution and the programme approach. The framework recognizes that all development programmes are nationally owned, directed and controlled. The establishment of priorities, the achievement of development results and their sustainability are the responsibility of the Government.

5. Capacity-building is not a new activity for UNDP. For many years, UNDP has been mandated to promote increasing self-reliance in the developing countries with regard to the managerial, technical, administrative and research capabilities required to formulate and implement development plans and policies. Thus, despite the relatively recent introduction of the term "capacity-building" into official parlance, UNDP-funded technical cooperation

has had the objective of capacity-building for self-reliance throughout most of UNDP's existence.

6. Over time, various terms have been used to describe the activities related to capacity-building. In the past, the most commonly used term was "institution-building". Although institution-building and capacity-building do not refer to identical activities, there is considerable overlap between them. Institution-building refers to the development of particular institutions, their human resources, equipment, organization, management and administration. Capacity-building is concerned with a broader set of activities, involving support for human resource development, organizational strengthening and the emergence of an overall policy environment that is conducive to development.

7. Based upon this definition of capacity-building, capacity for development has three components: the education and training of managers, professional, administrative and technical personnel; the use of these trained people in public and private sector organizations aimed at achieving a development impact; and the "development culture", that is, the rules, norms and expectations governing the transactions and relations among people and among organizations.

8. One area of capacity-building that has been receiving global attention is that of sustainable development. Sustainable development requires a holistic approach to capacity-building, in which participatory development is an essential element. This means going beyond specific training, to ensure that members of society at large have an understanding and commitment to sustainable development. It also means that institutions and mechanisms for decision-making and the involvement of diverse social forces need to be established or strengthened.

9. Some valuable capacities have been built and sustained as a result of efforts by UNDP and other donors, in areas such as infrastructure (including research), vocational training, health, statistics, civil aviation and meteorology. However, in a variety of other areas, capacity-building efforts by UNDP and other donors have not been altogether successful. There are several reasons for the current concern within the development community to clarify the meaning of capacity-building and to identify the instruments through which to pursue it. The first four of these reasons are generic to all capacity-building activities, the last two are specifically concerned with technical cooperation as an instrument for supporting capacity-building.

10. First, although UNDP has supported Governments in building capacity, many of these activities have not had a major impact on development. In some cases, activities have been in areas that were not central to the process of economic and social development. In other cases, for example in development planning, the activities have become marginal as short-term exigencies have increasingly dominated economic decision-making in large numbers of developing countries. In yet other cases, the activities have been concentrated downstream, with limited reach, and without regard for the possibility of an impact at policy level, where decisions are taken that affect the population as a whole.

11. Secondly, the capacities that have been built have not been sustained in all cases, and the past decade in least developed countries (LDCs) in

particular has seen the disappearance of much capacity through processes such as the emigration of skilled labour from countries where skills are scarce, the widespread collapse of public sector institutions, and the non-implementation of needed civil service reforms. The retention of capacity is an important aspect of capacity-building that has not been adequately emphasized in the past.

12. Thirdly, the focus of much capacity-building effort has been support for the development of human skills and the establishment or strengthening of institutions, with insufficient attention given to the capacity to formulate and analyse policy alternatives, or to the creation of a supporting environment in which capacities are affordable and effectively utilized.

13. Fourthly, capacity-building has concentrated its support on Governments, with little if any support for non-governmental institutions, the private sector, or for civil society in its broadest sense. Even in the critical area of policy capacity, the focus has been on central government rather than on a wide range of institutions needed for effective policy development.

14. Fifthly, capacity-building has not led to the establishment of recipient country capacity to develop a coherent framework for technical cooperation. This is partly because most technical cooperation has been managed as discrete projects, and partly because each donor has transplanted its national experience of capacity-building to recipients, with a lack of coordination among donors, and the lack of integration of technical cooperation with other resource flows.

15. Sixthly, technical cooperation as an instrument of capacity-building has been flawed. There is a growing consensus that technical cooperation has not been effective, not because particular projects did not succeed but because very large sums of money have been spent without reference to priority development goals, and without reference to related programmes. Thus, there is a need to re-examine technical cooperation as a way of supporting capacity-building. Practices of technical cooperation need to be adapted to the changing context of human resource needs and institutional capacity problems in developing countries.

16. These concerns, derived from lessons of experience, indicate certain central, interrelated issues that need to be addressed explicitly in the formulation of all capacity-building activities:

(a) The relevance of the activities to core national development objectives;

(b) The national policy context within which the programme activities are being undertaken;

(c) The extent to which capacity of non-governmental as well as government institutions are being built;

(d) The mechanisms of coordination of capacity-building activities;

(e) The sustainability of the capacity;

(f) The extent to which the modes of delivery of technical cooperation in support of capacity-building have incorporated the lessons of the past.

17. These issues are interrelated in a variety of ways. In each country, the strategy for national capacity development must first reflect development priorities, and identify the set of institutions regarded as desirable. However, the strategy must also reflect the capacity of the society to sustain those institutions on a continuing basis. The process of establishing priorities must therefore take place within the framework of the economic and fiscal constraints which exist now and which are foreseeable in the medium term. Thus, the process of priority setting and the issue of economic sustainability are closely interrelated. Sustainability must also be seen in environmental, cultural and political terms.

18. Sustainability also needs to be seen in the context of an increasingly interdependent world in which there is significant international mobility for highly skilled and professional labour, thus presenting major challenges for national capacity-building strategies.

19. A further interrelationship concerns the participants in the process of priority setting. In developing national capacity, although the Government inevitably plays a key role, the participation of non-governmental institutions, of civil society, is vital to the social acceptability and political sustainability of the strategy. The reconsideration in many countries of the role of government is leading to a drastic reduction in the scope of government activities, yet this in turn will require an equally drastic enhancement of the capacity for policy development, and the capacity of non-governmental institutions of diverse kinds to undertake new activities. Thus, strategies and priorities for national capacity-building must include governmental and non-governmental capacities from the outset.

20. The policy context is a further key element of sustainability, in particular the capacity to adapt policy continuously to changing circumstances, to undertake reform and restructuring, and to utilize effectively and to nurture skills. The underutilization in many countries of local skills, for example, is related to the Government's inability to formulate and implement sustainable policies towards the size, salary scales, incentives and functions of the public sector, and more generally, to balance resource availability with resource needs.

21. The policy context for capacity-building should be seen in its broadest possible sense, in terms of the totality of resources available for development, including domestic and foreign investment, changing patterns of international trade and technology transfer, and aid flows. Grant-funded technical cooperation needs to be programmed in ways which maximize the benefits potentially provided by the totality of resource flows. For example, changing patterns of manufacturing production resulting from technological change and foreign investment are leading to new opportunities for employment and income growth in those developing countries which invest in appropriate human resources.

III. ASSESSMENT OF CAPACITY

22. There are two aspects to the assessment of capacity, ex post and ex ante. The process of capacity-building requires means of assessing its achievements and impact ex post. The results of the process should be sustainability, affordability, utility, relevance, and ultimately economic and social progress that is reflected in improvements in peoples' lives. Ex ante assessment must also involve an assessment of the likelihood of the assistance achieving a positive and sustainable impact on development.

23. An initial discussion of indicators for national capacity-building was provided in document DP/1990/18. For the purposes of measurement, three levels of capacity were identified: the social systems and norms of a country; the aggregate complex of development-oriented institutions; and the individual capacity of any one organization. The document suggested that it is possible to evaluate the capacity and effectiveness of individual institutions. However, the aggregate capacity of a country cannot be assessed by "adding up" the capacity of separate institutions. Part of aggregate national capacity must be assessed by the extent to which the outputs of different institutions are used for positive social and economic purposes; the extent to which socially useful outputs are produced in an efficient and affordable manner; and the degree of interaction between governmental and non-governmental institutions in areas such as policy analysis and policy-oriented research.

24. Areas were highlighted for further research, such as the comparative experience of different countries in the provision of public goods, with different combinations of public, private commercial and private NGO/non-commercial forms of provision. The purpose would be to examine the nature, functioning and effects of different institutional arrangements on the quality of public goods and the degree of access to those goods by the population.

25. It is intended to explore these issues further in the Special Programme Resources (SPR)-funded fifth cycle research programme, which has launched a study of capacity-building jointly with the World Bank in six countries. Further development of this discussion must also take place at country level. As suggested in document DP/1990/18, the assessment of capacity-building involves social, institutional, political, technological, environmental and human resource dimensions. Some of these are subject to measurement by means of quantitative indicators, others will require qualitative judgements.

26. Monitoring systems for capacity-building are being developed, involving the establishment of baseline information, plus quantitative and qualitative benchmarks against which to assess the impact of capacity-building efforts. During the early stages of the fifth cycle, "process" indicators will be used to measure and monitor progress; for example, the degree of national government commitment to address the problem; the designation of a group or unit which will be responsible for managing the capacity-building process and coordinating donor inputs; the establishment of functional working groups; the development of a strategy for capacity-building; and the creation of an information system. "Impact" indicators will be used in the later stages of the cycle, as the strategies in specific sectors are formulated in more detail and implemented.

27. The assessment of capacity-building is complex from a methodological standpoint, but it is also complex because many determinants of success are external or unforeseeable. Examples of such phenomena are natural disasters and negative external shocks resulting from economic interdependence, such as the sudden influx of refugees, or the return of workers from abroad involving simultaneous losses of remittance income and increases in unemployment. A further example is the HIV/AIDS pandemic, which is currently threatening to undermine the productive base of the economy in many countries, as well as imposing intolerable strains on social services. A further example is the transition process in Eastern Europe and the Commonwealth of Independent States, in which social and economic institutions are undergoing widespread disruption and breakdown. These situations require an approach to capacity-building that supports national authorities in responding to immediate needs whilst laying the basis for improved management of resources in the medium and longer term.

28. Some elements of success can be assessed only in the long term. For example, in the case of some activities aimed at supporting programmes for sustainable development, the effects of these efforts can be evaluated only after a long period.

29. Capacity assessment must also be undertaken ex ante. There is a direct link between the use of national capacities and the process of national execution, both of national development programmes and projects and also of UNDP-financed technical cooperation. The designation of an executing agent for UNDP-assisted projects must first be explored in the context of national entities with potential to perform these tasks.

30. The assessment of the capability and appropriateness of an organization to execute and implement a project or programme will involve consideration of the organizations's legal and financial status, its mandate and structure, the experience and credentials of its managerial and technical staff, its project planning capability, and its capacity to manage, monitor and evaluate projects.

31. Ex ante capacity assessment will also form part of the process of the formulation of capacity-building strategies. In this context, it will involve a careful study of available human resources, organizational capacity within non-governmental and governmental institutions, and of the constraints on the effective utilization of existing capacity.

IV. FRAMEWORK FOR NATIONAL CAPACITY-BUILDING

32. The framework for national capacity-building is provided by national systems of planning and management and their translation into policies and programmes. In the case of environment and sustainable development, for example, the national strategies which will emerge as a result of UNCED will provide an important framework.

33. It is possible to identify certain key capacities that all countries require in order to advance their social and economic development. These are the capacity to define and manage a long-term vision, including the participation of diverse social forces and non-governmental institutions in

that process; the capacity to formulate sustainable development policies and programmes; the capacity to manage macroeconomic policies and development resources; and the capacity to implement and evaluate sustainable development activities.

34. The building blocks for UNDP support to these key capacities include the programme approach, national execution and the aid coordination process. By drawing on its neutrality and multilateral perspective, the United Nations system's contribution should lie increasingly in the upstream areas of policy dialogue and support to Governments in the formulation of strategies and programmes of a sectoral or multisectoral nature. The upstream shift is necessary in order to enhance the effectiveness of the limited resources of UNDP, and to address the issues of usefulness and relevance of capacities.

35. The successor arrangements for agency support costs also facilitate the upstream roles which United Nations agencies can play in developing sectoral and subsectoral programme frameworks. The resources of TSS-1, in particular, include policy dialogue and advice to Governments.

36. The identification of key capacities and the assessment of their major constraints also provide the basis for indicating the points of entry for UNDP and the United Nations system. These include the following: dialogue on overall goals and policies, sectoral strategies and programmes; strengthened capacities to define and prepare national programmes and policies; and the integration of global priorities and initiatives, such as the World Declaration on Education for All and Agenda 21, into national policies and programmes.

37. The task of supporting the formulation and implementation of national capacity-building strategies is daunting, and even by concentrating resources on upstream activities, such support cannot be provided by UNDP alone. A coordinated approach is needed, involving the United Nations system, other multilateral institutions, including the Bretton Woods institutions, and bilateral donors. Many donor institutions, including the World Bank, are re-appraising their approach to capacity-building and it is an opportune moment to develop a more coherent and coordinated approach. This is an area in which UNDP can exercise some leadership, because of its neutrality and universal experience in capacity-building activities. In addition, many of the instruments through which UNDP technical cooperation activities are managed are of increasing importance for a coordinated approach, such as round-table meetings, national technical cooperation assessment and programmes (NATCAPs) and the Management Development Programme (MDP).

38. The means through which UNDP can support Governments in formulating and implementing national strategies for capacity-building can be examined in terms of the following phases of the programme cycle:

(a) Long-term development perspective: the capacity to define and manage a long-term vision of social and economic development, and to bring about a greater consistency between short- and long-term policy objectives, can be supported through such initiatives as national long-term perspective studies, which involve support for governmental and non-governmental capacities to participate in national debate. This capacity can also be supported by means of assistance to the democratic, pluralistic process;

(b) Development strategies and policies: the capacity to formulate policies and substantive orientations for the short and medium term is supported through the policy dialogue (round-table meetings, Consultative. Groups, sustainable development strategies in support of Agenda 21); the integration of capacity-building requirements into macroeconomic policy formulation and the role of technical cooperation in supporting priority capacity-development is supported through NATCAPs, sectoral consultations, the formulation of national programme frameworks, and specific activities such as the Africa Capacity-building Initiative. The TSS-1 facilities offer resources for the provision of support by United Nations specialized agencies to this process. The agencies also have their own regular programmes of sectoral analysis which can address capacity-building for strategy and policy formulation;

(c) Implementation of national programmes by public and non-governmental institutions: the capacity to manage and implement national programmes is supported by means of capacity assessments at macro and sectoral, national and local levels, covering public and non-governmental institutions. Capacity assessments will assist with the identification of priority needs and specific tasks to be undertaken. Implementation capacity is also supported by MDP in the areas of economic management and coordination, civil service reform and decentralization. Increasing national responsibility for managing programmes requires that technical cooperation proceed through existing structures, and that it give priority to existing national capabilities. All too often, institutional support rapidly substitutes for national responsibility and becomes self-perpetuating. Systematic enhancement of national execution, i.e., the assumption of overall responsibility for management and accountability, in the context of the programme approach, offers both a learning experience and a cost-effective basis for operational activities;

(d) Monitoring and evaluation: the capacity to monitor and evaluate the impact of national programmes is supported by means of the development of indicators for assessing national capacity, and by technical cooperation directly in support of building national monitoring and evaluation capacity. This process should feed back into the strategy formulation and policy review process.

39. In developing a strategic, coordinated approach to capacity-building, the instruments outlined above form the central elements of UNDP support at country level. The UNDP country strategy document (country programme) would address the key issues of capacity-building (priorities, sustainability, policy capacity and the utilization of capacity, and the capacity of non-governmental institutions), and set out the specific instruments through which, in that country, the national strategy for capacity-building will be supported by UNDP.